HIGHTOWER
Trust Company

CASE STUDY

Family Limited Partnership (FLP)
Family Limited Liability Company (FLLC)

CLIENT PROFILE: The Jackson family, owners of a successful multi-generational business, are looking for an effective way to manage their wealth, preserve family assets, and plan for a smooth transfer of business interests to future generations. Their goals include protecting assets from potential creditors, minimizing estate taxes, and retaining control over the family business while gradually transferring ownership to their children. They make decisions together as a family, and prefer to have their Hightower advisor Evan involved as much as possible.

CHALLENGE: The Jacksons face the challenge of transferring significant wealth and business interests in a tax-efficient manner without losing control of the business. Additionally, they are concerned about protecting these assets from potential lawsuits and divorce settlements, limiting exposure to external liabilities while giving all family members a say in the management of the business.

SOLUTION: Evan suggests that by establishing a Family Limited Partnership (FLP) or Family Limited Liability Company (FLLC), the Jacksons can achieve their estate planning, asset protection, and wealth management goals. These structures allow the family to retain control of the business and other assets while transferring ownership to younger generations in a tax-advantageous manner. The general partner (or manager in the case of an LLC) retains decision-making authority, while limited partners or members hold ownership interests with limited involvement in day-to-day management, shielding them from liabilities.

Here are the key benefits of a FLP/ FLLC:

- **ASSET PROTECTION:** Both a FLP and FLLC protect family assets from creditors, lawsuits, and potential claims providing a strong legal barrier.
- **VALUATION DISCOUNTS:** FLPs and FLLCs can offer significant estate tax benefits, as ownership interests transferred to heirs can be discounted for lack of marketability or control, reducing overall estate tax liability.
- **CONTROL RETENTION:** The senior family members can maintain management control over the business or assets while transferring ownership over time to heirs, providing continuity in decision-making.

- **FLEXIBLE INCOME DISTRIBUTION:** These structures allow for flexible distributions of income to family members, based on their ownership stakes and the family's goals.
- **SUCCESSION PLANNING:** A FLP or FLLC helps establish a structured framework for transitioning management and ownership of family businesses or assets, increasing clarity and reducing conflicts among heirs.
- **PRIVACY:** Both FLPs and FLLCs provide privacy for family assets, as the ownership and structure are not publicly recorded, unlike a will or probate proceedings.
- **IF DESIRED,** a gradual transfer of assets, rather than all at once.

CONCLUSION: By partnering with their Hightower advisor and utilizing a Family Limited Partnership (FLP)/Family Limited Liability Company (FLLC), the Jackson family can effectively protect their assets, minimize estate tax liabilities, and provide for a smooth management succession. These structures provide a comprehensive solution for families looking to preserve wealth, retain control, and protect against external risks, while also offering flexible tax and estate planning benefits.

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